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BOOK REVIEWS.

The Distribution of Wealth. By JOHN R. COMMONS. New York : Macmillan & Co., 1893. 8vo. pp. 250.

THE present essay offers a new and rather interesting treatment of the problem of distribution. The writer has seized upon the fact of monopoly as the one and sufficient point of view from which to study the modern distributive process. He finds monopoly everywhere : "All industries, except agriculture and retail merchandising, have become monopolized, and those are rapidly on the road to monopoly." Free industry practically does not exist, because "it requires immense capital nowadays to become an entrepreneur." The "opportunities" of production have been appropriated by the few, the great mass of the people have been shut out from free access to the means of production. Monopoly is the ruling fact in distribution.

Starting with this conception of the facts and armed with the theorem that "each factor determines its own share through its power of limiting its contribution to the finished product," Professor Commons proceeds to develop a theory of distribution, the most characteristic part of which is his law of monopoly profits analagous to rent. This law and, indeed, his whole theory of distribution the writer bases upon the law of diminishing returns, which he finds to be a law universal for all industries—when stated in terms of *value* and not of *quantity* of product. His demonstration of the law of diminishing returns in terms of value is, however, not altogether satisfactory ; it rests upon more than one false inference. Thus, in relation to agricultural industry, Professor Commons writes : "The total *value* of its product varies exactly in proportion to the *quantity* of the product, and as this is subject to the law of diminishing returns, so also must be its *value*." It would be difficult to find within the range of intelligent discussion a stronger case of the hopeless confusion and perversion of a well-established economic doctrine than is contained in this sentence. What is the law of diminishing returns but a law of increasing costs ?

How then can it be reasoned as if price remained "fixed and constant"? The fact of diminishing returns means a condition of rising price; and to treat total value, which is, in fact, a compound of two variables—price and quantity—as though it depended upon variations of product alone, is to ignore, instead of to solve, a most important difficulty. What would Professor Commons say to the validity of a conclusion based on the assumption that the utility per increment of a commodity changed so little that it might be regarded as "fixed and constant?" And yet he is guilty of no less serious an error.

Notwithstanding important defects of analysis, however, the author's leading idea is clear enough. The proposition he is trying to establish is, that every monopolist will carry production up to the point of maximum net returns. At this point, he will limit his production, since any further increase would find purchasers only at a more than proportionate decline of price, and hence lead to a falling-off of net returns. Up to this point, even though it be true that the earlier increments of capital and labor produce a more valuable product than the later ones and hence yield a larger surplus per unit of product, the value of the total product increases. Beyond this point the law of diminishing returns in the *value* of the total product operates, even in industries obeying the law of increasing returns as regards amount of product. The fact of diminishing returns being thus universal, permits of a legitimate extension of the law of rent to all forms of monopolized "opportunities" (of these private property in land is only one). "Rent is a function, not only of diminishing return in product, but equally of diminishing returns in value." This is the essence of the author's theory of monopoly profits, and it is not necessary to follow the details of his analysis of the conditions upon which the amount of these "profits" depends. They are chiefly two: (1) the extent of the opportunity offered by the monopoly privilege in question; and (2) the expenses to be paid for the services of the coöperating factors, labor, capital, etc. The former, however, Professor Commons treats as much the more important, and as the monopoly privilege consists chiefly in the power of limiting supply and keeping values above cost; it is easy to understand the author's description of modern exchange as nothing more than organized extortion. The principle of conflict rules as universal as the law of diminishing returns. Industrial society is represented as a war of each against all, to the detriment of the common advantage. Society is responsible for this—"the

all-powerful factor in the distribution of wealth is the sovereignty of government ;”—hence we are to look to government for the cure. The logic of the essay demands socialism, and the whole essay may not improperly be regarded as a disguised attempt to found a scientific basis for a theory of socialism.

A. C. MILLER.

Münchener Volkswirtschaftliche Studien. Edited by LUJO BRENTANO and WALTHER LOTZ. Stuttgart: Cotta'sche Buchhandlung, 1893. *Erstes Stück: Die Schuhmacherei in Bayern. Ein Beitrag zur Kenntniss unserer gewerblichen Betriebsformen.* By DR. ERNST FRANCKE. 8vo. pp. xii + 250. *Zweites Stück: Ueber die Grenzen der Weiterbildung des fabrikmässigen Grossbetriebes in Deutschland.* By DR. LUDWIG SINZHEIMER. 8vo. pp. viii + 197. *Drittes Stück: Die Venetianische Seidenindustrie und ihre Organisation bis zum Ausgang des Mittelalters.* By DR. ROMOLO, GRAF BROGLIO D'AJANO. 8vo. pp. viii + 59.

IT seems to be gradually becoming the fashion with every professor of political economy, and every economic faculty, to have a series of publications of their own. With the increased facilities of production in every line of human activity, the economists, too, are endeavoring to keep pace. The last two decades have witnessed a steadily increasing production of monographs ; but the demand seems not yet exceeded by the supply. New “sartors” appear to take charge of these products of domestic industry, the materials for which they have furnished to their disciples to a certain extent in their lectures and seminars, and whose results they frequently can use in their own investigations.

Still, it may seem doubtful whether there was any need of a new series of German monographs. The field covered by those already in existence,—as, *e. g.*, SCHMOLLER'S *Forschungen*, CONRAD'S *Studien*, KNAPP'S, MIASKOWSKI'S series, etc., is wide enough, and they are not at all confined to the disciples of the different editors. Nevertheless, there is no reason for complaint in the particular case in question, as the suggestive personality of Brentano always attracts a great number of young scholars; and it will be interesting to observe what will be